

Greater Rochester International Airport
Monroe County Airport Authority



ANNUAL REPORT

2004-2005



GREATER ROCHESTER INTERNAT

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The men and women who serve air travelers every day at the Greater Rochester International Airport. Acting Director David P. Damelio, (front center) surrounded by the Monroe County Department of Aviation staff.



Maggie Brooks
County Executive

IONAL AIRPORT

MAGGIE BROOKS,
MONROE COUNTY EXECUTIVE



The new six lane Central
Security Checkpoint
opened at GRIA on
February 3, 2005.



The Greater Rochester International Airport drives economic growth. It's responsible for 8000 jobs and brings close to 500 million dollars into our local economy each year.

Affordable air transportation directly benefits employers in Monroe County, linking them to the global marketplace and helping them compete. It also provides the tools necessary to retain and attract jobs and investment in our community.

In 2005, passenger boardings at the Greater Rochester International Airport reached an all-time high. Year end enplanements totaled 1,457,573 passengers, a 6% increase over 2004 and a 17% increase over 2003.

2005 brought about the grand opening of our new six-lane Central Security Checkpoint, completion of the new Public Viewing Area, expanded concessions, the start of the Runway Safety Area Project, launch of Valet Parking service, installation of assistive technology to better serve deaf and hard of hearing passengers, and new non-stop daily service to Dallas/Fort Worth.

Over 20 local firms were part of the Security Checkpoint Project Team which provided over 500 jobs for local workers. Several vendors and shops located within the terminal have reported up to a 20% increase in business since the Checkpoint opened.

The additional improvements we have made to the terminal have transformed the Airport into a truly modern, state-of-the-art facility. As we begin the next phase of improvements, we will continue to keep passenger needs in mind and prepare for future growth.

The Greater Rochester International Airport remains "Your Gateway to the World".

A handwritten signature in black ink that reads "Maggie Brooks". The signature is written in a cursive, flowing style.

Maggie Brooks
County Executive

DIRECTOR OF AVIATION



In 2005, the Greater Rochester International Airport completed a ten million dollar Terminal Renovation Project and opened the new six-lane central security checkpoint. The Checkpoint was designed to make travel more efficient for passengers.

In addition, the Airport opened a 3,800 square foot Public Airfield Viewing Area. This area located at the upper west end of the terminal captures an impressive view of the Airport's main runway. The area is complete with floor to ceiling glass windows, ample lounge space with new, modern couches, chairs and bistro seating as well as food concession accessible to both ticketed and non-ticketed passengers.

Other improvements to the terminal included the addition of a new concession to our food court, Famous Famiglia. Famous Famiglia is known as

“New York's Favorite Pizza” offering passengers a wide array of menu items. In 2005, Airport Revenue News recognized Famous Famiglia with awards for the “Food Operator with the Highest Regard for Customer Service” and the “Best Airport Food and Beverage Operator.”

In 2006, passengers can expect to see upgrades to our baggage screening process, eliminating the screening equipment in the ticket lobby and moving to an in-line baggage screening system. This will simplify the check-in process for passengers flying out of GRIA.

In addition, Concourse A will be renovated with additional concourse seating, modernized furnishings and the addition of new concession space. Escalators and elevators will be replaced. Business passengers can look forward to a new location for the complimentary business center complete with conference rooms, work stations and internet access.

At GRIA, passenger needs come first and we remain committed to providing the resources necessary for simple, safe and affordable air travel.

Terrence G. Slaybaugh
Director of Aviation,
Greater Rochester International Airport

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Famous Famiglia Grand Opening – October 21, 2005.

MONROE COUNTY AIRPORT AUTHORITY

In 2005, nearly 3 million passengers used the Greater Rochester International Airport.

The most notable visit in 2005 was President George W. Bush. AirForce One touched down at GRIA at 10:45 am on May 24, 2005. Those eager to catch a glimpse of the President filled the Airport's new Public Viewing Area and looked out the glass windows at the Boeing 747 parked across the airfield. It was truly an exciting experience for all involved at GRIA.

Aircraft operations in 2005 totaled 136,553 which included commercial flights, military operations, corporate and general aviation. Total scheduled passenger boardings were the highest on record. The County of Monroe and GRIA work closely with the business community to encourage competitive low fare air service from Rochester to many cities throughout the United States. Both AirTran Airways and jetBlue offer low fare air service and remain two of the dominant air carriers at the airport, with approximately 31.8% of the Rochester market share.



President George W. Bush and
AirForce One arrive – May 24, 2005.

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Monroe County Airport Authority Board

Chairperson James G. Vazzana, Esq. (center) joined by board members, from left to right, Vice Chairperson Nicholas Juskiw, Bernard J. Iacovengelo, Esq. Back row, Valerie Christanson and Stephen Tucciarello. Not pictured, Willie J. Lightfoot, Jr., previous board Vice Chairperson John L. DiMarco, Sr. and previous board members Mark J. Cassetti and H. Todd Bullard.

EMPLOYEE SALUTE

**Friendly,
knowledgeable and
skilled employees
provide passengers
with the quality
customer service
they deserve.**

We take pride in the fact that our employees help make the visitor experience at our Airport a positive one.

Providing passengers with a safe and secure travel environment is a primary goal of GRIA. Our Airport continues to serve as a national model for private screening, as one of five airports in the nation for private screening initiatives and technology. McNeil Security, Inc. based in Springfield, Virginia handles the Airport's private screening. Passenger evaluations of screening in Rochester have resulted in overall positive feedback.

A highlight in 2005 for GRIA was the coordination of a simulated large scale aircraft accident drill which jetBlue and the GRIA Aircraft Rescue and Firefighting (ARFF) division participated in. The simulation, which tested the GRIA Airport Emergency Plan (AEP), involved 32 Monroe County agencies and over 300 personnel consisting of emergency responders, volunteer organizations, airline and County employees. The simulation was deemed a success and a benchmark for all exercises in the future.





On behalf of the County of Monroe, Monroe County Airport Authority Board and Airport Administration, we would like to thank our employees for their dedication and hard work during 2005.



STATISTICS & DEVELOPMENT

In 2005, the annual number of passengers traveling through GRIA increased 6%.

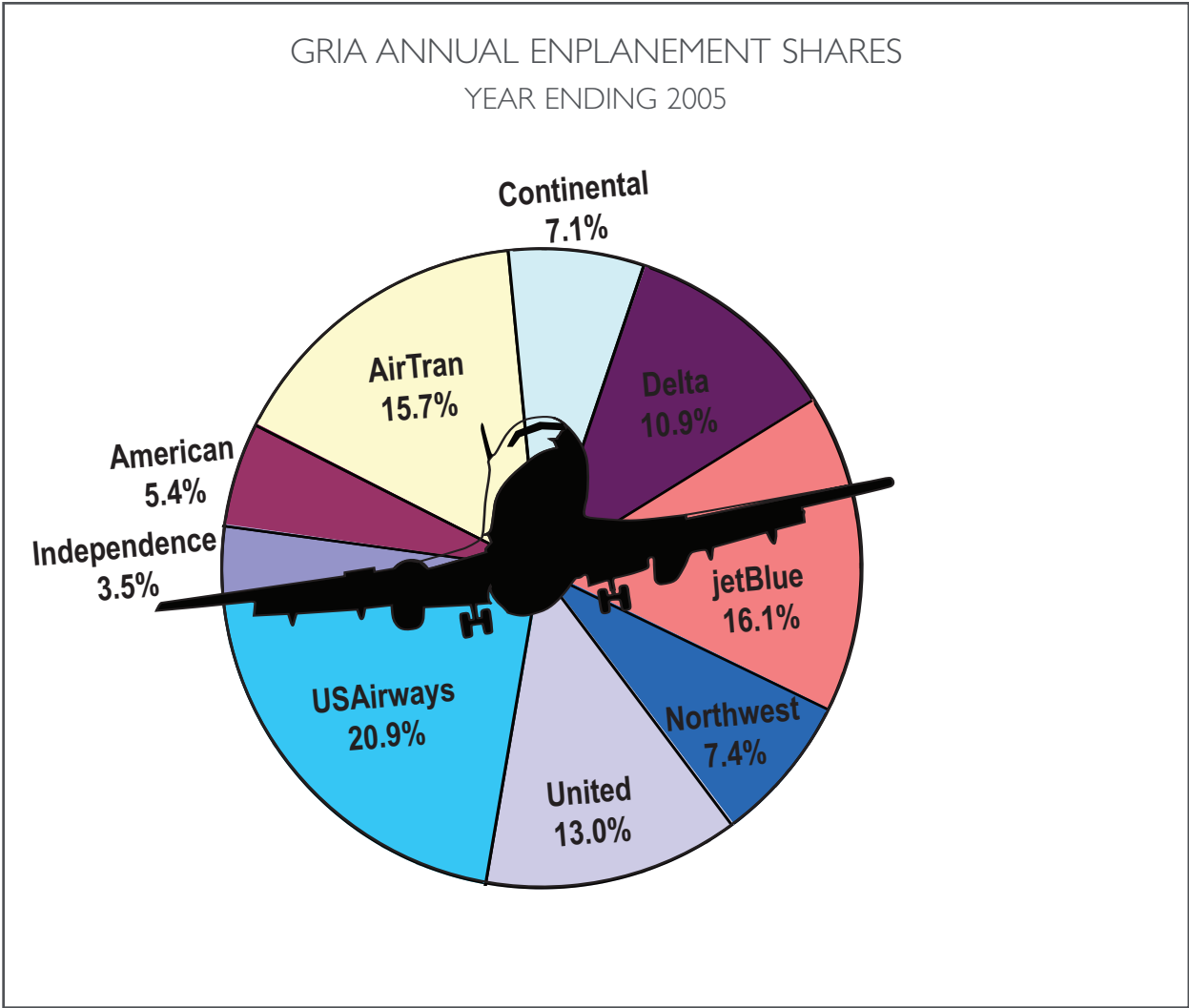
The percentage of seats filled (airline load factors) remained relatively stable in 2005, totaling 66.1% compared to 66.6% in 2004. In 2005, 74,783 tons of cargo passed through GRIA cargo facilities compared to 75,515 tons in 2004.

American Eagle added a non-stop daily flight from Rochester to Dallas/Fort Worth, Texas on August 1, 2005. This new non-stop flight offers more options for travelers, especially the business traveler. American Eagle operates the daily round-trip flight between Rochester (ROC) and Dallas/Fort Worth (DFW) using 70-seat CRJ-700

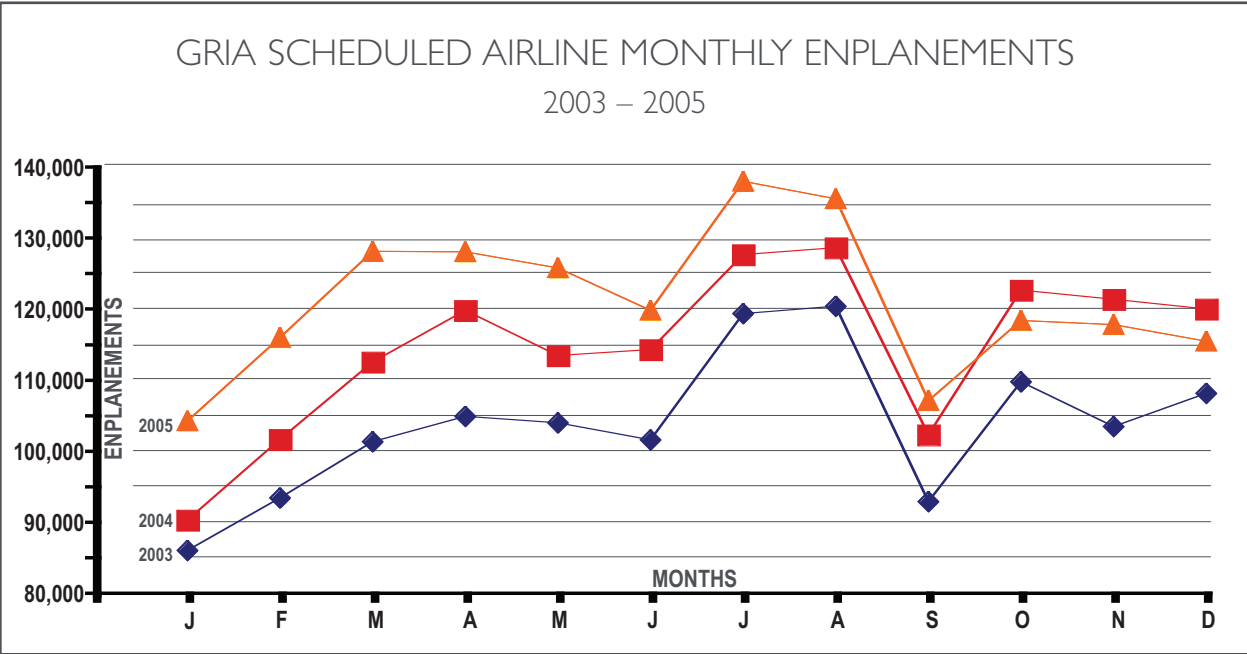
jets. The new service is in addition to the carrier's five non-stop daily flights to Chicago O'Hare.

Airlines serving GRIA include American Eagle, AirTran Airways, Continental Airlines, Delta/Comair, Independence Air, jetBlue, Northwest Airlines, United Airlines & US Airways. It was an unfortunate year for low-fare carrier Independence Air. After being unable to emerge from financial troubles, Independence Air declared bankruptcy and eventually ceased operations on a national level.





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At the end of August 2005, the County of Monroe and GRIA partnered with Rochester company, Interprettype LLC, to install assistive technology devices to better assist deaf and hard-of-hearing passengers in communicating with airport personnel. GRIA was the first Airport in New York State to purchase and implement this technology throughout the terminal. President and Inventor, Ken Gan, first developed the Interprettype unit, referred to as ITY, to assist deaf and hard-of-hearing customers communicate at his local auto repair shop.

The Interprettype unit consists of two portable keyboards each with its own screen, connected by a wire. Users key in their name and type instant messages. Communications between the passenger and airport personnel appear on each screen in dialogue format that is easy to follow.

Interprettypes are located at each airline ticket counter, car rentals, the Greater

Rochester Visitors Association Booth, the Central Security Checkpoint, Airport Dispatch and Airport Administration. In addition, Airport Fire personnel have been trained to use the units.

Two new concessions opened in 2005 in areas accessible to the non-ticketed public. AeroMart, operated by Hudson News, is a convenience style store, gift shop and eatery located in the center of the Airport's baggage claim area. The convenient location offers comfortable seating and is central for family and friends picking up arriving passengers.

Goody Goodies eatery, previously located in the food court, moved its operation to the new Public Viewing Area. It offers bistro style seating for those dining and serves as a great location to take in the impressive view of the Airport's airfield and main runway.

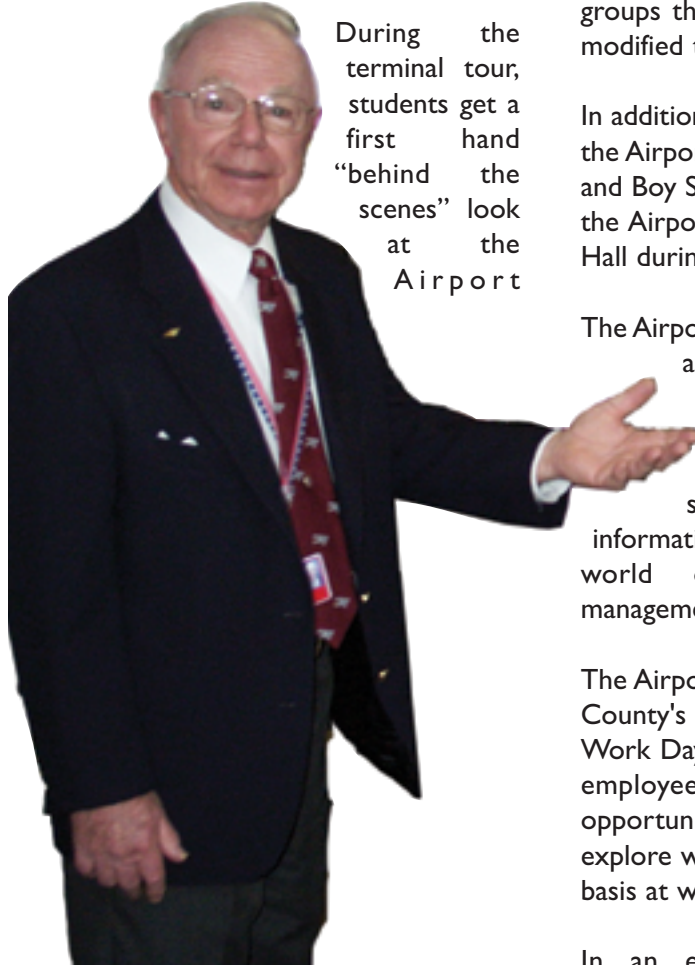


In 2005, the Airport launched Valet Parking for passengers. This convenient, affordable service allows passengers to drop off their car and keys on the Airport's upper level road at the Valet Station. Our friendly valet attendants will have the passenger's vehicle waiting at the lower level roadway valet booth upon return. Valet is a growing business and has been received well by passengers. Valet adds to the increasing number of parking options already available at GRIA.



COMMUNITY OUTREACH

The Greater Rochester International Airport (GRIA) averaged 1.5 tours of the facility per day in 2005 to school aged groups of approximately 25 participants per tour.



During the terminal tour, students get a first hand "behind the scenes" look at the Airport

Communications Center, Airport Sheriff's Division, baggage system, security screening procedures, Regional Transportation Operations Center (RTOC), New York Army National Guard and the Airport Rescue and Firefighting (ARFF) facility. Tours are free of charge and available to schools and various groups throughout the area and can be modified to fit any age level.

In addition to the daily tours provided at the Airport, approximately 22 Girl Scout and Boy Scout troops held sleepovers at the Airport in the International Arrivals Hall during 2005.

The Airport Administration Public Affairs and Marketing staff participated in the Greece Career Day at Olympia High School. Over 1400 Greece juniors and seniors were provided information on careers in the exciting world of aviation and airport management.

The Airport also participated in Monroe County's annual "Take Your Child to Work Day" providing numerous County employees and their children the opportunity to tour our facility and explore what their parents do on a daily basis at work.

In an effort to reduce fear and apprehension toward flying, the Airport reinstated a "Fearful Flyers" course in 2005 taught by a local relaxation therapist and stress management consultant with over 35 years of experience. The four week course has been a great success and includes a graduation flight for those in the course from ROC to New York John F. Kennedy Airport aboard a jetBlue flight.

GRIA's "Goodwill Ambassador"

Sam Cooper has led literally thousands of airport tours and helped countless individuals overcome their flight phobia through the "Fearful Flyers" program.



Various special events at GRIA throughout the summer continue to draw crowds. The Airport was again the site of the annual Lifetime Assistance Foundation Airport 5K Benefit Run/Walk. The Airport 5K offers residents the opportunity to join together in raising awareness and funds to help those in our community with developmental disabilities.

Rochester Wings 2005, upstate New York's Largest General Aviation Expo, continued its tradition of offering safety seminars and free flights to children through the Experimental Aircraft Association (EAA) Young Eagles Program.

The 2005 ESL International Airshow featured the United States Air Force Thunderbirds. Thousands of area families attended the event at GRIA to catch a glimpse of the Thunderbirds famous aerial demonstrations as well as enjoy various other flight aerobatic acts, static aircraft displays, vendors and more.

It was also the fifth year the Airport participated in the holiday Fantasy Flight

program. Children from St. Joseph's Villa, Lifetime Assistance, Hillside Children's Center, Golisano Children's Hospital, A.R.C. of Monroe and Orleans Counties, Make A Wish Foundation and children of military personnel enjoyed a special visit from Santa, their very own airplane flight over the "North Pole" and other holiday activities such as cookie decorating, face painting and holiday movies.

This event is a wonderful opportunity for young people and their families to enjoy a few hours of holiday joy outside of their daily challenges. The program is hosted in partnership with Monroe County, GRIA, Continental Express, Norcross Aviation, Landmark Aviation, 98 PXY and many other volunteers and agencies that made this year's Winter Wonderland possible.

The Greater Rochester International Airport is also home to Kodak Aviation, Landmark Aviation, New York Army National Guard Flight Facility and USAirports Flight Support.

2005 AIRFIELD CONSTRUCTION



A new taxiway was constructed parallel to Runway 4/22 commencing at Taxiway C and continuing south to include the intersection with Runway 10/28. This new taxiway, Taxiway A, creates a new taxiway intersection with Taxiway D and Taxiway B.

The excavated material from the project was placed in the Runway 28 Safety Area as a safety improvement in preparation for the roadway tunnel program. This taxiway will be called Taxiway N until the final segment of the parallel taxiway from Runway 10/28 and Taxiway E is completed.

Also constructed was a centralized area for the placement of aircraft deicing storage, providing improved management of the airline operations related to storage and transfer of deicing fluids.

Another major project that began in 2005 was the Runway Safety Area Project, funded by a 17 million dollar Federal Grant. The Runway Safety Area is the zone surrounding a runway that is intended to improve public safety and reduce the risk of aircraft damage in the event of an incident. The goal of the project is to bring the eastern end of Runway 10/28, near Interstate 390, into compliance with new Federal Aviation Administration (FAA) regulations, which take effect in 2007. The new regulations require that all runway safety areas must have a minimum of 1,000 feet of runway safety area to land and must also be free of obstructions and vehicular traffic.

The project includes the construction of two road tunnels to remove vehicle obstructions from the runway safety area. One road tunnel will be located in the secure, interior airfield road accessible to fueling trucks and airfield maintenance vehicles. The other road tunnel will be located along the public access road that runs between Interstate 390 and the Airport between the terminal and Scottsville Road. The road tunnels will be able to withstand the weight of an aircraft. The Runway Safety Area project is scheduled for completion by the end of 2006.

Other projects included improvements to public parking lots.

OPERATING RESULTS



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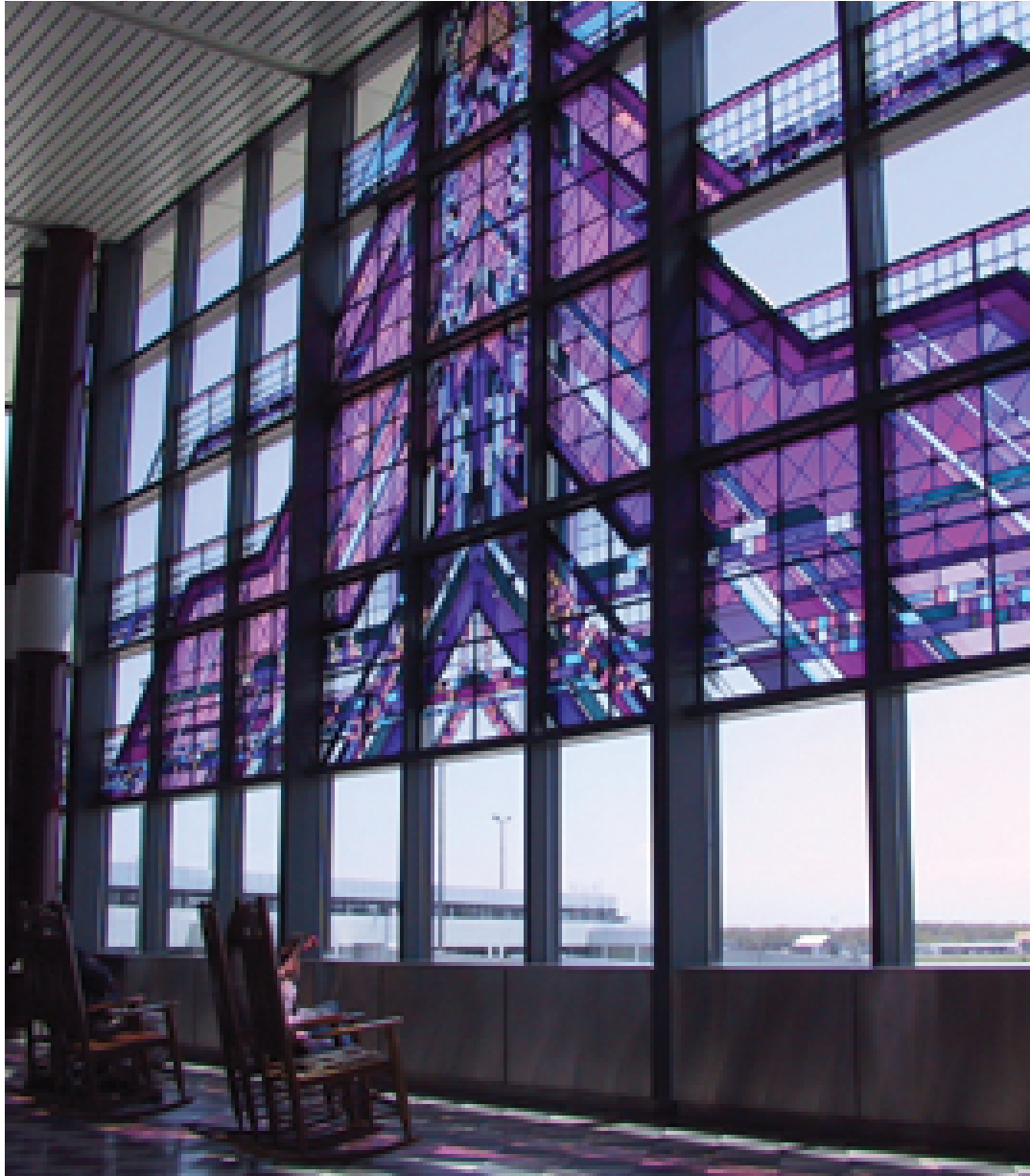
The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County.

The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority Board, which is approved by the County Legislature on the recommendation of the County Executive. The Chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The Authority leases the Greater Rochester International Airport (GRIA) from the County and operates under the terms of an agreement dated September 15, 1989.

Operating revenues in 2005 totaled \$26.6 million. Landing fees and rental fees, including building rent, comprise 55 percent of the operating revenue at GRIA. The landing fee and rental revenues are the result of calculations pursuant to provisions of airline operating and terminal building lease agreements. Revenue from non-airline sources such as car rental commissions, parking commissions, concessions and fuel farm commissions comprise the other 45 percent.

Operating expenses in 2005 totaled \$20.1 million.

Financial performance of an airport is measured by average cost per enplaned passenger. "Cost per enplanement" is calculated by dividing total fees paid by scheduled airlines by the number of passengers boarded. The cost per enplanement at GRIA for the year 2005 was \$8.21.



MONROE COUNTY AIRPORT AUTHORITY

(A DISCRETLY PRESENTED COMPONENT UNIT
OF THE COUNTY OF MONROE, NEW YORK)

Financial Statements
As of December 31, 2005
Together with
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

March 15, 2006

To the Members of
Monroe County Airport Authority:

We have audited the accompanying financial statements of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York) as of and for the years ended December 31, 2005 and 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of Monroe County Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monroe County Airport Authority as of December 31, 2005 and 2004, and the change in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bonadio & Co., LLP

Corporate Crossings
171 Sully's Trail
Pittsford, NY 14534-4557
p (585) 381-1000
f (585) 381-3131

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

The Management's Discussion and Analysis (MD&A) of the Monroe County Airport Authority (the Authority) provides an introduction and overview of the financial statements of the Authority for the year ended December 31, 2005. Following this MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when its related cash receipt or disbursement occurs.

The Statements of Net Assets present information on the Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets report the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the years with the difference, loss before capital contributions, being combined with capital contributions to determine the change in net assets for the year. That change, combined with the previous year's net asset total, reconciles to the net asset total at the end of the year.

The Statements of Cash Flows report cash activities for the years resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities, added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

SUMMARY OF FINANCIAL HIGHLIGHTS

The Authority noted the following financial highlights for the years ended December 31, 2005 and 2004:

Change in Net Assets

At December 31, 2005, the Authority's total assets exceeded total liabilities by \$18,832,690, which is an increase of \$4,947,086 (35.6%) from the balance of \$13,885,604 at December 31, 2004. The major positive effects on net assets in 2005 were a result of: (1) an increase in Parking Commissions of 22.1%; (2) an increase in Concessions revenue of 15.1%; (3) a decrease in Rent Expense-Monroe County of 19.9%; (4) a decrease in Other Expense of 17.8%; and (5) an increase in Interest Earnings from investments of 16.4%. The major negative effects on the 2005 increase in net assets were: (1) an increase in bond cost amortization expense of 121.0% and (2) an increase in Local Share of Capital Projects – Monroe County of 24.2%. The Authority had an overall change in net assets for the 2005 year of approximately \$4.9 million compared to \$1.4 million in 2004.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The statement of net assets provides an indication of the Authority's ability to meet its financial obligations, from both a long-term and short-term perspective. The Authority's 2005 total assets exceed total liabilities by \$18,832,690, an increase of \$4,947,086 from 2004. (See Table A-I).

For the years ended December 31, 2005 and 2004, the impact of recording depreciation and amortization (\$4,528,124) and (\$4,384,916), respectively, is the primary reason for the decrease in capital assets of \$4,269,166 (6.2%) and \$3,567,975 (4.0%). As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2005 and 2004, decreased by \$3,361,147 (4.1%) and \$3,951,205 (4.6%), respectively. The combination of these factors is the cause of the net decrease in the portion of net assets, that is invested in capital assets net of related debt.

Change in Net Assets

As noted above, the Authority's net assets increased by \$4,947,086 (35.6%) from the balance of \$13,885,604 at December 31, 2004 (See Table A-1).

**Summary of Net Assets
Table A-I**

	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
ASSETS:			
Current and other assets	\$ 39,908,075	\$ 33,402,824	19.5%
Capital assets	<u>64,122,644</u>	<u>68,391,810</u>	(6.2)%
Total assets	<u>104,030,719</u>	<u>101,794,634</u>	2.2%
LIABILITIES:			
Debt outstanding	78,856,036	82,217,183	(4.1)%
Other liabilities	<u>6,341,993</u>	<u>5,691,847</u>	11.4%
Total liabilities	<u>85,198,029</u>	<u>87,909,030</u>	(3.1)%
NET ASSETS:			
Invested in capital assets	(14,733,392)	(13,825,373)	6.6%
Restricted	15,865,126	12,243,093	29.6%
Unrestricted	<u>17,700,956</u>	<u>15,467,884</u>	14.4%
Total net assets	<u>\$ 18,832,690</u>	<u>\$ 13,885,604</u>	35.6%

The primary cause for the 2005 increase in net assets was a result of five items: (1) increase in Landing Fees; (2) increase of Parking Commissions; (3) a decrease in Rent Expense-Monroe County; (4) a decrease in Other Expense; and (5) an increase in Interest Earnings from investments. These were offset by: (1) an increase in Amortization of Bond Issue Costs and (2) an increase in Local Share of Capital Projects – Monroe County. These net increases reflect an increase in enplaned passenger activity of 5.77% in 2005 and 10.36% in 2004, and the return to normal operations after the events of September 11, 2001. Parking Commissions were the primary revenue impacted with an increase of \$967,677 (22.1%) in 2005 and an increase of \$1,129,940 (34.8%) in 2004. The increase in 2005 parking revenue reflects a 10% rate increase initiated in 2004 and fully implemented in 2005 with the more efficient utilization of the expanded off-airport shuttle parking which added more than 1,300 parking spaces to the airport parking operation during 2004. The relocation of the terminal security check point during 2004, putting the food concessions behind security, and the additional new and improved food vendors spurred an increase in Concessions revenue of 15.1% during 2005.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Change in Net Assets (Continued)

Rent Expense - Monroe County decreased \$181,529 (19.9%) from 2004 to 2005 as a result of a \$237,030 decrease in the County's scheduled debt service due and a \$55,504 decrease in allocated investment earnings during 2005. The 2004 decrease in this expense was less than 1% from the prior year.

During 2004, it was determined that the issue premium and the deferred loss on refunding related to the 1999 Refunding Bonds was incorrectly recorded. The effect of correcting this adjustment was to increase the premium on bonds and the deferred loss on refunding by \$222,031 and \$2,233,207, respectively, and to increase net assets invested in capital assets, net of related debt by \$2,011,176 at January 1, 2004. During 2005 an increase in the amortization expense of \$270,825 (121.0%) resulted from this correction.

Summary of Revenues, Expenses, and Changes in Net Assets
Table A-2

	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
OPERATING REVENUES:			
Landing fees	\$ 4,703,722	\$ 4,473,284	5.2%
Rental fees	9,902,599	10,012,000	(1.1)%
Car rental commissions	3,056,218	2,874,807	6.3%
Parking commissions	5,344,701	4,377,024	22.1%
Concessions	3,331,465	2,895,260	15.1%
Fuel farm	<u>225,000</u>	<u>225,000</u>	0.0%
Total operating revenues	<u>26,563,705</u>	<u>24,857,375</u>	6.9%
OPERATING EXPENSES:			
Operating and maintenance expenses -			
Monroe County	14,192,596	13,878,596	2.3%
Rent expense - Monroe County	729,383	910,912	(19.9)%
Other	652,133	793,244	(17.8)%
Depreciation and amortization	<u>4,528,124</u>	<u>4,384,916</u>	3.3%
Total operating expenses	<u>20,102,236</u>	<u>19,967,668</u>	0.7%
Operating Income	<u>6,461,469</u>	<u>4,889,707</u>	32.1%
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	735,868	631,954	16.4%
Interest expense	(4,484,344)	(4,826,200)	(7.1)%
Amortization of bond issuance costs	(494,722)	(223,897)	121.0%
Local share of capital projects -			
Monroe County	(649,034)	(522,705)	24.2%
Other nonoperating income and (expenses)	<u>(375,282)</u>	<u>-</u>	(100.0)%
Total nonoperating revenues (expenses), net	<u>(5,267,514)</u>	<u>(4,940,848)</u>	6.6%
Capital contributions, net	<u>3,753,131</u>	<u>1,436,767</u>	161.2%
Increase in net assets	<u>\$ 4,947,086</u>	<u>\$ 1,385,626</u>	257.0%

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Passenger Facility Charge Fees

During 2005, \$6,049,159 in Passenger Facility Charges (PFC) was collected from airline passengers. Of these collections, the Authority contributed \$2,296,028 to Monroe County toward the cost of capital improvements at the Airport. In the prior year, \$4,228,222 in PFC's were collected and \$2,791,455 was contributed to Monroe County.

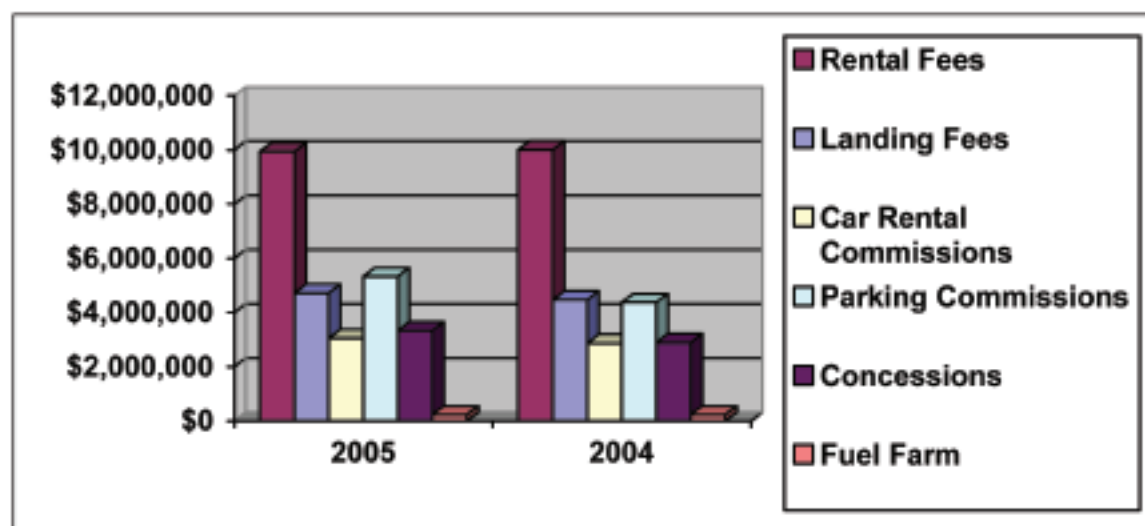
Operating Expenses

Operating expenses (including depreciation and amortization expense) increased in 2005 and 2004 by \$134,568 (0.7%) and \$1,303,652 (7.0%), respectively. The 2005 increase was due mainly to increase in personnel cost attributed to employee benefits offset by a decrease in rent expense and less contracted services associated with airline contract negotiations. During 2004 the increase from the prior year was due mainly to increased contract snow plowing, employee benefits, rent expense and contracted services associated with airline contract negotiations.

Interest Revenue

Interest revenue (included within nonoperating revenues and expenses) was \$735,868 and \$631,954 for 2005 and 2004, respectively. This is a 16.4% increase in 2005 and a 158.5% increase in 2004 from the prior year. In 2005, maturing investments were reinvested at higher rates, reflective of an overall market improvement in earned interest rates. The percentage of interest revenue to invested assets has improved from 2.66% in 2004 to 3.11% in 2005.

Summary of Revenue, Expenses and Changes in Net Assets
Table A-2 (Revenue Graph)



Capital Asset and Debt Administration

Capital Assets

Leased

The Authority leases the Airport facilities, except those that were financed through the 1989 bond issuance, from Monroe County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2005 and 2004, the rental payments totaled \$729,383 and \$910,912 respectively.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

Purchases

Most improvements to the Airport facilities are planned and funded through the Monroe County Capital Improvement Program. The Authority invested \$265,297 and retired \$55,929 in capital assets in 2005 and \$816,941 and \$0 in 2004, for a year-end total of capital assets of \$124,181,211 and \$123,971,843 in 2005 and 2004 respectively (See Table A-3).

Summary of Capital Assets
Table A-3

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land and easements	\$ 497,771	\$ -	\$ -	\$ 497,771
Buildings and other facility equipment	120,901,061	22,912	-	120,923,973
Office furniture and equipment	1,477,535	242,385	(40,930)	1,678,990
Transportation equipment	<u>1,095,476</u>	<u>-</u>	<u>(14,999)</u>	<u>1,080,477</u>
Total capital assets	123,971,843	265,297	(55,929)	124,181,211
Accumulated depreciation and amortization	<u>(55,580,033)</u>	<u>(4,528,124)</u>	<u>49,590</u>	<u>(60,058,567)</u>
Net capital assets	<u>\$ 68,391,810</u>	<u>\$ (4,262,827)</u>	<u>\$ (6,339)</u>	<u>\$ 64,122,644</u>

More detailed information about the Authority's capital assets is presented in Note 6 in the accompanying financial statements.

Long-Term Debt

At year-end 2005 and 2004, respectively, the Authority had \$78,856,036 and \$82,217,183 in bonds outstanding (\$74,711,036 and \$78,297,183 long-term and \$4,145,000 and \$3,920,000 short-term) - a decrease of 4.6% in each year. (See Table A-4).

On March 4, 2004, the Authority refunded the Revenue Refunding Bonds - Series 1993. The Revenue Refunding Bonds - Series 2004 resulted in a decrease of \$45,000 in outstanding debt, a 6.03% present value savings and will decrease annual debt service by an average of \$128,000 over the 15-year life of the issue.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Long-Term Debt (Continued)

**Summary of Long-Term Debt
Table A-4**

	<u>Beginning Balance</u>	2005		<u>Ending Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	\$ 66,015,000	\$ -	\$ (2,940,000)	\$ 63,075,000
Serial Bonds, issued in 2004, which refunded 1993 bonds	20,855,000	-	(980,000)	19,875,000
Unamortized bond discount	(343,385)	-	41,237	(302,148)
Deferred amount of refunding loss	<u>(4,309,432)</u>	<u>-</u>	<u>517,616</u>	<u>(3,791,816)</u>
Total long-term debt	<u>\$ 82,217,183</u>	<u>\$ -</u>	<u>\$ (3,361,147)</u>	<u>\$ 78,856,036</u>

	<u>Beginning Balance</u>	2004		<u>Ending Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
Capital Appreciation Bonds, issued as part of 1989 series	\$ 3,340,073	\$ -	\$ (3,340,073)	\$ -
Serial Bonds, issued in 1993, which refunded part of 1989 bonds	21,095,000	-	(21,095,000)	-
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	66,345,000	-	(330,000)	66,015,000
Serial Bonds, issued in 2004, which refunded 1993 bonds	-	20,855,000	-	20,855,000
Unamortized bond discount	(448,476)	(164,560)	269,651	(343,385)
Deferred amount of refunding	<u>(4,163,209)</u>	<u>(2,112,215)</u>	<u>1,965,992</u>	<u>(4,309,432)</u>
Total long-term debt	<u>\$ 86,168,388</u>	<u>\$ 18,578,225</u>	<u>\$ (22,529,430)</u>	<u>\$ 82,217,183</u>

More detailed information about the Authority's long-term debt is presented in Note 7 in the accompanying financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Monroe County Airport Authority, at 1200 Brooks Avenue, Rochester, New York 14624.

MONROE COUNTY AIRPORT AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENTS OF NET ASSETS

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,251,363	\$ 12,092,167
Accounts receivable - net of allowance for doubtful accounts of \$99,900 and \$93,500 in 2005 and 2004, respectively	1,510,924	2,922,722
Accrued interest receivable	<u>85,737</u>	<u>49,769</u>
 Total current assets	 <u>15,848,024</u>	 <u>15,064,658</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	13,602,318	7,576,875
Investments which are restricted funds held by trustee - Principal and interest fund	9,193,654	9,324,752
Capital Assets -		
Land and easements	497,771	497,771
Buildings, improvements and equipment, net of accumulated depreciation and amortization	63,624,873	67,894,039
Bond issuance costs, net of accumulated amortization of \$897,776 and \$725,317 at December 31, 2005 and 2004, respectively	<u>1,264,079</u>	<u>1,436,539</u>
 Total noncurrent assets	 <u>88,182,695</u>	 <u>86,729,976</u>
 Total assets	 <u>\$ 104,030,719</u>	 <u>\$ 101,794,634</u>

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable	\$ 265,579	\$ 22,346
Deferred revenue	217,620	97,882
Due to Monroe County	<u>1,117,052</u>	<u>461,890</u>
Total payable from unrestricted assets	<u>1,600,251</u>	<u>582,118</u>
Payable from restricted assets:		
Premium on bonds	1,734,620	1,971,202
Accrued interest on bonds	2,242,172	2,327,309
Current maturities of long-term debt	4,145,000	3,920,000
Security deposits	358,283	464,551
Other liabilities	<u>406,667</u>	<u>346,667</u>
Total payable from restricted assets	<u>8,886,742</u>	<u>9,029,729</u>
Total current liabilities	10,486,993	9,611,847
 LONG-TERM DEBT, net	 <u>74,711,036</u>	 <u>78,297,183</u>
Total liabilities	<u>\$ 85,198,029</u>	<u>\$ 87,909,030</u>

Concentrations, commitments and contingencies (notes 5, 9 and 10)

NET ASSETS:		
Invested in capital assets, net of related debt	\$ (14,733,392)	\$ (13,825,373)
Restricted for debt service	9,193,654	9,324,752
Restricted for passenger facility projects	6,671,472	2,918,341
Unrestricted	<u>17,700,956</u>	<u>15,467,884</u>
Total net assets	<u>\$ 18,832,690</u>	<u>\$ 13,885,604</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Landing fees	\$ 4,703,722	\$ 4,473,284
Rental fees	9,902,599	10,012,000
Car rental commissions	3,056,218	2,874,807
Parking commissions	5,344,701	4,377,024
Concessions	3,331,465	2,895,260
Fuel farm	<u>225,000</u>	<u>225,000</u>
Total operating revenues	<u>26,563,705</u>	<u>24,857,375</u>
OPERATING EXPENSES:		
Operating and maintenance expenses - Monroe County	14,192,596	13,878,596
Rent expense - Monroe County	729,383	910,912
Depreciation and amortization	4,528,124	4,384,916
Other	<u>652,133</u>	<u>793,244</u>
Total operating expenses	<u>20,102,236</u>	<u>19,967,668</u>
Operating income	<u>6,461,469</u>	<u>4,889,707</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	735,868	631,954
Interest expense	(4,484,344)	(4,826,200)
Loss on sale of assets	(6,339)	-
Bad debt expense	(368,943)	-
Amortization of bond issuance costs and deferred losses	(494,722)	(223,897)
Local share of capital projects - Monroe County	<u>(649,034)</u>	<u>(522,705)</u>
Total nonoperating revenues (expenses)	<u>(5,267,514)</u>	<u>(4,940,848)</u>
Income (loss) before capital contributions	1,193,955	(51,141)
Capital contributions, net	<u>3,753,131</u>	<u>1,436,767</u>
CHANGE IN NET ASSETS	4,947,086	1,385,626
NET ASSETS - beginning of year	<u>13,885,604</u>	<u>12,499,978</u>
NET ASSETS - end of year	<u>\$ 18,832,690</u>	<u>\$ 13,885,604</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY**(A Discretely Presented Component Unit of the County of Monroe, New York)****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 27,680,030	\$ 25,013,099
Cash paid to suppliers	<u>(14,675,717)</u>	<u>(14,707,809)</u>
Net cash flow from operating activities	<u>13,004,313</u>	<u>10,305,290</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(265,297)	(816,941)
Capital contributions	3,753,131	1,436,767
Payment of bond principal	(3,920,000)	(3,865,073)
Issuance of bonds	-	21,729,894
Refunding of bonds	-	(21,109,000)
Bond issuance costs	-	(661,829)
Payment of bond interest expense	(4,569,472)	(4,660,705)
Local share of capital projects - Monroe County	(649,034)	(522,705)
Other	<u>-</u>	<u>(151,642)</u>
Net cash flow from capital and related financing activities	<u>(5,650,672)</u>	<u>(8,621,234)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	699,900	624,297
Proceeds from sale of investments	<u>131,098</u>	<u>5,878,221</u>
Net cash flow from investing activities	<u>830,998</u>	<u>6,502,518</u>
CHANGE IN CASH AND CASH EQUIVALENTS	8,184,639	8,186,574
CASH AND CASH EQUIVALENTS - beginning of year	<u>19,669,042</u>	<u>11,482,468</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 27,853,681</u>	<u>\$ 19,669,042</u>
Classified as:		
Cash and cash equivalents - unrestricted	\$ 14,251,363	\$ 12,092,167
Cash and cash equivalents - restricted	<u>13,602,318</u>	<u>7,576,875</u>
Total cash and cash equivalents	<u>\$ 27,853,681</u>	<u>\$ 19,669,042</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Net operating income	\$ 6,461,469	\$ 4,889,707
Adjustments to reconcile income from operations to net cash flow from operating activities:		
Depreciation and amortization	4,528,124	4,384,916
Changes in:		
Accounts receivable	1,042,855	338,767
Deferred revenue	119,738	(183,043)
Due to Monroe County	655,162	1,677,978
Other current liabilities	<u>196,965</u>	<u>(803,035)</u>
Net cash flow from operating activities	<u>\$ 13,004,313</u>	<u>\$ 10,305,290</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

1. ORGANIZATION

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board, which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The Authority leases the Greater Rochester International Airport (the Airport) from the County and operates under the terms of a trust indenture (the indenture) dated September 15, 1989, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The authority has elected not to adopt the provisions of paragraph 7 of GASB Statement No. 20.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Revenues and Expenses

The Authority's principal sources of revenue are landing fees, terminal rentals from airlines using the Airport, car rental, parking, and concession fees. Revenues are recognized upon provision of services. Rates charged by the Authority to the airlines are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and amortization, and accrued interest but includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the airlines that expire December 31, 2007, and include a two-year renewal option and a three-year renewal option subsequent to completion of the two-year renewal period. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Cash Equivalents

Cash equivalents include certificates of deposit, money market funds, U.S. Government securities and repurchase agreements with maturities of three months or less from the purchase date. Cash equivalents are stated at cost, which approximates fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Authority's investments consist of certificates of deposit, repurchase agreements, commercial paper and obligations of the U.S. Government. Investments are stated at cost, which approximates fair value. Investment instruments are exposed to various risk, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Capital Assets

The Airport facilities, except those that were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (Note 5). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. During 2005, the Authority changed its capitalization policy and now capitalizes facilities, property, and equipment acquired at an original cost greater than \$2,500 and a useful life greater than one year. In 2004, the capitalization threshold was \$1,000. The County carries insurance coverage on the facilities, property and equipment, which includes minimal deductible payments. Amortization for improvements to the leased airport facilities is provided on a straight-line basis over the remaining life of the lease from the time of acquisition. Depreciation and amortization is computed primarily on a straight-line basis over the estimated useful lives of the property and equipment, which range from two (2) to twenty (20) years.

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. In September 1997, the FAA approved a \$3.00 PFC collection at the Airport beginning December 1, 1997. In November of 1998, the FAA approved an additional \$3.00 PFC. In June 30, 2004, the FAA approved a \$4.50 PFC. The excess of amounts collected over expended in each year is recorded as capital contributions in the statement of revenues, expenses and changes in net assets. Cumulative amounts collected yet unexpended at December 31 are reflected as restricted net assets for passenger facility projects in the statement of net assets.

Deferred Bond Costs

Bond premiums, discounts, issuance costs, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the life of the respective bonds using a level yield method of amortization.

Taxes

As a public benefit corporation, the Authority is exempt from Federal and state income taxes, as well as from state and local property and sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to confirm with the current year presentation.

3. PRIOR PERIOD ADJUSTMENT

In 2004, it was determined that the issue premium and the deferred loss on refunding related to the 1999 Refunding Bonds was incorrectly recorded. The effect of correcting this adjustment was to increase the premiums on the bonds and the deferred loss on refunding by \$222,031 and \$2,233,207, respectively, and to increase net assets, net of related debt by \$2,011,176 on January 1, 2004.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

In 2005, the Authority adopted the provisions of GASB Statement No. 40, "Deposit and Investment Risk Disclosures", an amendment to GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including repurchase Agreements), and Reverse Repurchase Agreements".

The guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, except repurchase agreements and direct purchases of obligations of New York State or its political subdivision or guaranteed by the federal government, to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. The policy does not address credit risk specifically, however, risk associated with these investments has been minimized by the fact that they are held in a trust separate from the custodian's assets, which could be claimed by creditors.

Bank accounts at December 31, 2005, are fully insured by the Federal Deposit Insurance Corporation or are fully collateralized. The investments outstanding as of December 31, 2005, are held by the Authority's agents in the Authority's name.

Cash equivalents and investments that are unrestricted and those restricted as to use but maintained by the Authority consisted of the following for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Money market	\$ 8,431,877	\$ 18,259,451
Certificates of deposit	<u>17,684,987</u>	<u>-</u>
	<u>\$ 26,116,865</u>	<u>\$ 18,259,451</u>

At December 31, 2005, Money market funds were held by Bank of America and M&T bank. Bank of America was rated P-1 for short-term investments by Moody's Investors Service (Moody's) while M&T bank had no similar rating, although the institution as a whole was rated A3 by Moody's.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At December 31, 2005, Certificates of deposit were held by HSBC bank. HSBC was rated P-1 for short-term investments by Moody's.

Investments that are restricted include funds required to be maintained by the trustee pursuant to the indenture agreement related to the various bond issues of the Authority and are uncollateralized. A description of assets held by the trustee consisted of the following for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Money market funds	\$ 152	\$ 422,274
U.S. Government securities	1,263,698	8,902,478
U.S. Government money market funds	554,687	-
Commercial paper	<u>7,375,117</u>	<u>-</u>
	<u>\$ 9,193,654</u>	<u>\$ 9,324,752</u>

As of December 31, 2005 General Electric Capital commercial paper was rated AAA by Standard and Poor's an independent credit rating agency. General Electric Capital commercial paper accounted for approximately 80% of assets held by the trustee at December 31, 2005. Investment in United States Treasury bills accounts for approximately 95% of assets held by the trustee at December 31, 2004.

Custodial Credit Risk

For cash deposits or investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. United States Treasury obligations are exempt because the United States government backs them. As of December 31, 2005 and 2004, the Authority is exposed to custodial credit risk for its deposits noted above as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Uninsured deposits:		
Uncollateralized commercial paper held by financial institution	\$ 7,375,117	\$ -
Collateralized with securities held by pledging financial institution	<u>26,116,865</u>	<u>18,259,451</u>
	<u>\$ 33,491,982</u>	<u>\$ 18,259,451</u>

Total investments by type as of December 31, including investments controlled by the Trustee are as follows:

	<u>2005</u>	<u>2004</u>
U.S. Government money market funds	\$ 554,687	\$ -
U.S. Government securities	\$ 1,263,850	\$ 8,902,478
Commercial paper	\$ 7,375,117	\$ -
Money market funds	\$ 8,431,878	\$ 18,681,725
Certificate of deposit	\$ 17,684,987	\$ -

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following investments held with one financial institution represent five percent or more of the Authority's total investments subject to credit risk at either December 31, 2005 or 2004, or both:

	<u>2005</u>	<u>2004</u>
HSBC	\$ 17,684,987	\$ -
M&T	\$ 5,998,153	\$ 5,203,369
Bank of America	\$ 2,433,725	\$ 13,056,082
JP Morgan Chase	\$ 7,375,117	\$ -

5. TRANSACTIONS WITH MONROE COUNTY

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority using the accrual basis of accounting. Upon expiration or earlier termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2025. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2005 and 2004, the rental payments totaled \$729,383 and \$910,912, respectively. Estimated future minimum rental payments at December 31, 2005 are as follows:

2006	\$ 1,241,760
2007	1,276,108
2008	1,264,264
2009	1,258,491
2010	1,268,178
2011 - 2015	4,302,023
2016 - 2020	3,408,410
2021 - 2025	<u>1,287,847</u>
	<u>\$ 15,307,081</u>

In 2005, a resolution was passed that requires the Authority to pay 3.5% interest on funds advanced by the County based on the County's expected return on other short-term investments. The Authority paid the County \$500,000 in 2005, which has been included in passenger facility charges in the accompanying statements of revenues, expenses and changes in net assets.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ <u>497,771</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>497,771</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,901,061	22,912	-	120,923,973
Office furniture and equipment	1,477,535	242,385	(40,930)	1,678,990
Transportation equipment	<u>1,095,476</u>	<u>-</u>	<u>(14,999)</u>	<u>1,080,477</u>
Total capital assets, being depreciated or amortized	123,474,072	265,297	(55,929)	123,683,440
Less accumulated depreciation and amortization	<u>(55,580,033)</u>	<u>(4,528,124)</u>	<u>49,590</u>	<u>(60,058,567)</u>
Capital assets being depreciated or amortized, net	<u>67,894,039</u>	<u>(4,262,827)</u>	<u>(6,339)</u>	<u>63,624,873</u>
Capital assets, net	\$ <u>68,391,810</u>	\$ <u>(4,262,827)</u>	\$ <u>(6,339)</u>	\$ <u>64,122,644</u>

6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ <u>497,771</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>497,771</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,520,401	380,660	-	120,901,061
Office furniture and equipment	1,477,244	291	-	1,477,535
Transportation equipment	<u>659,486</u>	<u>435,990</u>	<u>-</u>	<u>1,095,476</u>
Total capital assets, being depreciated or amortized	122,657,131	816,941	-	123,474,072
Less accumulated depreciation and amortization	<u>(51,195,117)</u>	<u>(4,384,916)</u>	<u>-</u>	<u>(55,580,033)</u>
Capital assets being depreciated or amortized, net	<u>71,462,014</u>	<u>(3,567,975)</u>	<u>-</u>	<u>67,894,039</u>
Capital assets, net	\$ <u>71,959,785</u>	\$ <u>(3,567,975)</u>	\$ <u>-</u>	\$ <u>68,391,810</u>

7. LONG-TERM DEBT

Series 1993 and 2004 Bonds

In June 1993, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs, were used to purchase U.S. Government securities to refund the 1989 Series Bonds, including an additional reserve requirement representing a deferred amount on refunding. The deferred amount on the refunding was being amortized over the term of the 1993 Series Bonds.

In March 2004, the Authority issued Revenue Refunding Bonds to refund the outstanding 1993 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities. The transaction resulted in a deferred amount on refunding to the Authority related to the difference between the reacquisition price and the net carrying amount of the 1993 Series Bonds at the date of issuance of the 2004 Series Bonds of \$2,112,215. This deferred amount on refunding is being amortized over the term of the 2004 Series Bonds.

Series 1989 and 1999 Bonds

In October 1999, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities to refund the 1989 Series Bonds.

The 1989 Series Bonds were the original debt issuance pursuant to the indenture, the purpose of which was to provide financing for the original construction of the Airport. Bond activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Bonds issued as part of the 1999 refunding:					
Serial bonds maturing in annual amounts ranging from \$300,000 to \$6,330,000 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 66,015,000	\$ -	\$ (2,940,000)	\$ (3,090,000)	\$59,985,000
Bonds issued as part of the 2004 refunding:					
Serial bonds maturing in annual amounts ranging from \$980,000 to \$1,860,000 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	20,855,000	-	(980,000)	(1,055,000)	18,820,000
Less: unamortized bond discount	(343,385)	-	41,237	-	(302,148)
Less: deferred amount on refunding	<u>(4,309,432)</u>	<u>-</u>	<u>517,618</u>	<u>-</u>	<u>(3,791,816)</u>
Long-term debt	<u>\$ 82,217,183</u>	<u>\$ -</u>	<u>\$ (3,361,147)</u>	<u>\$ (4,145,000)</u>	<u>\$74,711,036</u>

7. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Bonds issued as part of the 1989 Series:					
Capital appreciation bonds maturing in annual amounts of \$3,340,000 to 2004 bearing interest at 7.20%	\$ 3,340,073	\$ -	\$ (3,340,073)	\$ -	\$ -
Bonds issued as part of the 1993 refunding:					
Serial bonds maturing in annual amounts ranging from \$175,000 to \$1,095,000 from 2002 to 2008 bearing interest paid semi-annually at 4.90% to 5.50%	4,260,000	-	(4,260,000)	-	-
Term bonds plus interest paid semi-annually at 5.50% maturing January 1, 2013	6,450,000	-	(6,450,000)	-	-
Term bonds plus interest paid semi-annually at 5.38% maturing January 1, 2019	10,385,000	-	(10,385,000)	-	-
Bonds issued as part of the 1999 refunding:					
Serial bonds maturing in annual amounts ranging from \$300,000 to \$6,330,000 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	66,345,000	-	(330,000)	(2,940,000)	63,075,000
Bonds issued as part of the 2004 refunding:					
Serial bonds maturing in annual amounts ranging from \$980,000 to \$1,860,000 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	-	20,855,000	-	(980,000)	19,875,000
Less: unamortized bond discount	(448,476)	(164,560)	269,651	-	(343,385)
Less: deferred amount of refunding	<u>(4,163,209)</u>	<u>(2,112,215)</u>	<u>1,965,992</u>	<u>-</u>	<u>(4,309,432)</u>
Long-term debt	<u>\$ 86,168,368</u>	<u>\$ 18,578,225</u>	<u>\$ (22,529,430)</u>	<u>\$ (3,920,000)</u>	<u>\$ 78,297,163</u>

7. LONG-TERM DEBT (Continued)

All outstanding Revenue Bonds were issued under the terms of a universal indenture agreement. The indenture pledges certain revenues and other income collected by the Authority, primarily for payment of principal and interest on the bonds. The indenture also requires the establishment of various trust funds to be held by the trustee and by the Authority.

Management believes the Authority is in compliance with all covenants under the indenture. The Authority is required to maintain at a minimum, certain financial ratios and balances, as defined in the agreements. The required and actual ratios and balances consisted of the following at December 31:

	2005		2004	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Net revenue to debt service	1.25:1	1.43:1	1.25:1	1.41:1
Debt service reserve requirement	\$ 8,295,000	\$ 9,193,654	\$ 8,638,500	\$ 9,324,752
Operating and maintenance reserve requirement	\$ 2,436,511	\$ 2,568,551	\$ 2,384,711	\$ 2,472,988
Renewal and replacement requirement	\$ 500,000	\$ 4,008,227	\$ 500,000	\$ 1,327,563

The excess of actual renewal and replacement funds over the required amount is primarily due to funds transferred into the renewal and replacement fund for the purchase of capital expenditures.

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several subaccounts related to the debt issues. These subaccounts are aggregately reflected as a part of net assets in the accompanying statement of net assets. A brief description of each of these subaccounts is as follows:

Revenues of the Authority are deposited in the Revenue Account, net of certain transfers to the other accounts created under the indenture. The amounts designated for this account are included in unrestricted cash and cash equivalents in the accompanying statements of net assets.

The Principal and Interest Account represents amounts required to be reserved for debt service for each respective bond issue. The amounts designated for this account are reported as assets that are restricted funds, held by trustee in the accompanying statements of net assets.

The Construction Account represents an account required to be held by the trustee. The trustee establishes a separate project account for each construction project. The amounts designated for this account, to the extent that there are any, are reported as assets, that are restricted funds, held by trustee in the accompanying statements of net assets.

The Renewal and Replacement Account represents funds for anticipated capital expenditures. The amounts designated for this account are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.

The Operating and Maintenance Reserve Account represents amounts to be reserved for at least one-sixth of the budgeted operating and maintenance expenses for the succeeding fiscal year. The amounts designated for this fund are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.

The Surplus Account represents amounts defined by the indenture that are subject to use by the Authority, including transfers to other accounts, as appropriate.

7. LONG-TERM DEBT (Continued)

1999 Series Bonds

The 1999 Series Bonds maturing on and after January 1, 2019, are not subject to redemption prior to their maturity.

2004 Series Bonds

The Series 2004 Bonds maturing after January 1, 2015, are subject to redemption by the Authority, in whole or in part, at any interest payment date on or after January 1, 2014.

Other

Payment of the principal and interest on the Authority's bonds are insured by the Municipal Bond Investors Assurance Corporation.

Maturities of revenue bonds for the fiscal years after December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 4,145,000	\$ 4,387,406	\$ 8,532,406
2007	4,335,000	4,181,425	8,516,425
2008	4,550,000	3,955,694	8,505,694
2009	4,790,000	3,710,219	8,500,219
2010	5,045,000	3,443,384	8,488,384
2011 - 2015	29,785,000	12,529,144	42,314,144
2016 - 2019	<u>30,300,000</u>	<u>3,408,031</u>	<u>33,708,031</u>
	<u>\$ 82,950,000</u>	<u>\$ 35,615,303</u>	<u>\$ 118,565,303</u>

8. CAPITAL CONTRIBUTIONS

Of the \$61,439,249 that the Authority is authorized to collect in Passenger Facility Charges, \$29,997,615 and \$23,948,456, respectively, has been collected through December 31, 2005 and 2004. \$6,049,159 and \$4,228,222, respectively, of those total collections relates to the years ended December 31, 2005 and 2004, of which \$2,444,802 and \$2,791,455, respectively, was expended in 2005 and 2004. As of December 31, 2005 and 2004, \$6,671,472 and \$2,918,341, respectively, is reflected as restricted net assets for passenger facility projects in the statement of net assets.

9. CONCENTRATIONS

In 2005, seven signatory airlines accounted for approximately 47% and 59% of the landing and rental fee revenues, respectively. In 2004, eleven (11) signatory airlines accounted for approximately 52% and 59% of the landing and rental fee revenues, respectively. One signatory airline, USAirways, accounted for approximately 17% and 24% of such revenue in 2005 and 2004, respectively.

Car rental commission revenue is generated from five agencies, one of which accounted for approximately 29% and 28% of such revenue in 2005 and 2004, respectively.

10. CONTINGENCIES

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 15, 2006

To the Audit Committee of
Monroe County Airport Authority:

We have audited the financial statements of the Monroe County Airport Authority (the Authority) as of and for the year ended December 31, 2005, and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we have reported to the Authority's management in a separate letter dated March 2006.

This report is intended solely for the information and use of the members of the Monroe County Airport Authority and its management and is not intended to be used and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

Corporate Crossings
171 Sully's Trail
Pittsford, NY 14534-4557
p (585) 381-1000
f (585) 381-3131

ROCHESTER • GENEVA
BUFFALO • PERRY

www.bonadio.com



Greater Rochester International Airport
1200 Brooks Avenue • monroecounty.gov